

# The twilight of the public corporation in the US

Jerry Davis  
The University of Michigan  
Business History Conference  
March 29, 2012



Or, how did we get from here...



1889-2012\*

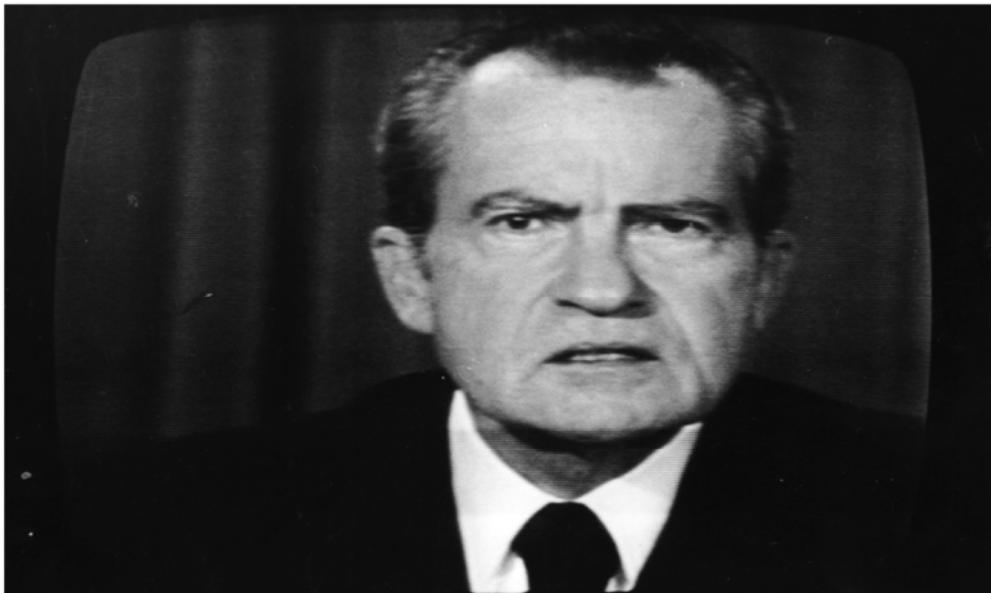
...to here...



~2007-2011

...and how does it matter?

# Remember 1974?



# A few giant corporations dominated the economy

**DOW JONES**

30 "blue chips," 1974

Allied Chemical	Eastman Kodak	Owens-Illinois Glass
Alcoa	Exxon	Procter & Gamble
American Can	GE	Sears Roebuck
AT&T	General Foods	Swift & Co
American Tobacco	GM	Texaco
Anaconda Copper	Goodyear	Union Carbide
Bethlehem Steel	International Harvester	United Technologies
Chevron	International Nickel	U.S. Steel
Chrysler	International Paper	Westinghouse Electric
Du Pont	Johns-Manville	Woolworth

# 10% of the private workforce labored at 25 firms

COMPANY	EMPLOYEES (thousands)
GM	810.92
AT&T	798.934
FORD	474.318
SEARS ROEBUCK	439.493
ITT	438
GE	388
IBM	274.108
CHRYSLER	273.254
JC PENNEY	200
GTE	196
WESTINGHOUSE	194.1
US STEEL	184.794
GOODYEAR	155.4
EXXON	137
RCA	126
KMART	125
SINGER	122
EASTMAN KODAK	120.7
DU PONT	118.423
BETHLEHEM STEEL	118
SAFEWAY	117.221
A&P	113.8
UNION CARBIDE	109.417
INTL HARVESTER	107.89
LITTON INDUSTRIES	105.4



Source: Compustat Annual Industrials

# 90 white men each served on 5+ corporate boards

ADAMS, CHARLES F.	HARDER, HOWARD C.	MORGENS, HOWARD J.
AYERS, THOMAS G.	HARPER, JOHN D.	MUNROE, GEORGE B.
BENNETT, GEORGE F.	HAUGE, GABRIEL	NYROP, DONALD W.
BERCHER, HARRY O.	HEINEMAN, BEN W.	OELMAN, ROBERT S.
BINGER, JAMES H.	HENLEY, HENRY H., JR.	PALMER, EDWARD L.
BROWN, CHARLES L.	HILLMAN, HENRY L.	PEARSON, NATHAN W.
BROWN, COURTNEY C.	HOLLAND, JEROME H.	PETERKIN, DEWITT, JR.
BROWN, R. MANNING, JR.	HUMPHREY, GILBERT W.	PHALEN, CLIFTON W.
CARLSON, EDWARD E.	JOHNSON, HOWARD W.	POTTER, KEITH R.
CHAMBERS, M.R.	JOHNSON, WILLIAM B.	PROCKNOW, DONALD E.
CHAMPION, GEORGE	KAISER, EDGAR F.	PYNE, EBEN W.
CISLER, WALKER L.	KARNES, WILLIAM G.	ROMNES, H.I.
CONNOR, JOHN T.	LAFORCE, ARNOLD R.	RUSSELL, GEORGE
COOLEY, RICHARD P.	LAPHAM, LEWIS A.	SCHOENHOFEN, LEO H.
COWLES, GARDNER	LAY, HERMAN W.	SIVAGE, GERALD A.
COX, EDWIN L.	LEARSON, T. VINCENT	SMILEY, DONALD B.
CUMMINGS, TILDEN	LEITHEAD, BARRY T.	STANTON, FRANK
CUNNINGHAM, HARRY B.	LEVY, GUSTAVE L.	STEWART, ROBERT H., III
DAMON, ROGER C.	LILLEY, ROBERT D.	STUART, ROBERT D., JR.
DONNELLEY, GAYLORD	LUKE, HUGH D.	THOMAS, FRANKLIN A.
ETHERINGTON, EDWIN D.	MARKS, HARRY T.	THOMAS, JOSEPH A.
FINLEY, JAMES D.	MCCORMICK, BROOKS	TYSON, CHARLES R.
FREEMAN, GAYLORD	MEESE, WILLIAM G.	VENEMA, MAYNARD P.
FUNSTON, G. KEITH	MENK, LOUIS W.	WASSON, E. HORNSBY
GATES, THOMAS S.	MEWHORT, ROLAND A.	WATLINGTON, JOHN F., JR.
GOLDSTON, ELI	MEYER, JOHN M., JR.	WILLIAMS, ALBERT L.
GRAHAM, DONALD M.	MILLER, ARJAY	WILSON, KENDRICK R., JR.
GRAHAM, WILLIAM B.	MITCHELL, DON G.	WORTHINGTON, LESLIE B.
GRAY, JOHN D.	MITCHELL, HAMILTON B.	WRIGHT, JAMES O.
GWINN, ROBERT P.	MORGAN, GRAHAM J.	WRISTON, WALTER B.

# (And probably met at the Bohemian Grove)



# (And probably hatched unspeakable conspiracies)

U.S. DEPARTMENT OF STATE  
FREEDOM OF INFORMATION ACT

**Church Report**

**Covert Action in Chile 1963-1973.**

94th Congress 1st Session COMMITTEE PRINT

**COVERT ACTION IN CHILE 1963-1973**

Staff Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities

UNITED STATES SENATE

December 18, 1975

Printed for the use of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities

U.S. GOVERNMENT PRINTING OFFICE 63-372

Washington: 1975

**NOTE:** Since the December 4, 1975 hearing the Select Committee has, in the course of its continuing investigation received new information which supplements the following sections of the Staff Report on Covert Action in Chile: Section III.A.4, the Role of Multinational Corporations; Section IV.B.1.e, Intelligence Estimates and Covert Action; and Section IV.C, Congressional Oversight. All pertinent information on the above will be reflected in the Select Committee's Final Report to the Senate.

**SENATE SELECT COMMITTEE TO STUDY GOVERNMENTAL OPERATIONS WITH RESPECT TO INTELLIGENCE ACTIVITIES**

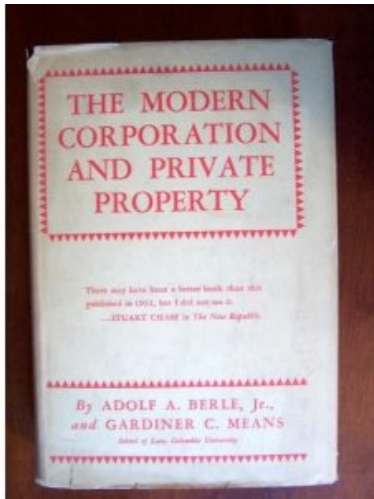
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WILLIAM G. MILLER, Staff Director

## A vision of a corporate-centered society



“The factory system, the basis of the industrial revolution, brought an increasingly large number of workers directly under a single management. Then, the modern corporation, equally revolutionary in its effect, placed the wealth of innumerable individuals under the same central control”

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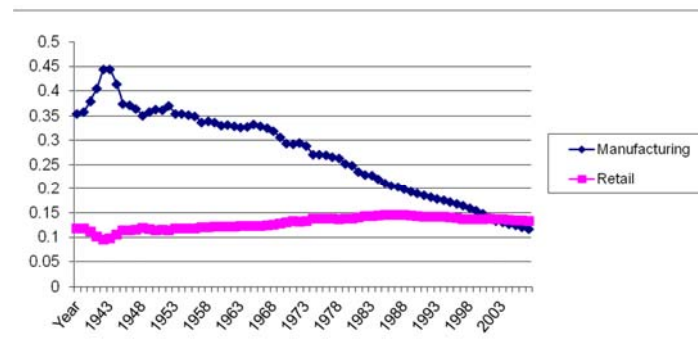
## Some premises of the corporate-centered society

1. The typical corporation makes tangible products
2. Corporate *ownership* is broadly dispersed
3. Corporate *control* is concentrated
4. Corporations aim to grow bigger in assets and number of employees
5. Corporations live a long time

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1. The typical corporation makes tangible products

## Manufacturing employment is increasingly rare in the US



Proportion of US private labor force employed in manufacturing and retail, 1939-2010 (Source: BLS)

Since January 2001, the US has shed 5.5 million jobs in manufacturing—one in three

As of March 2009, more Americans were unemployed than were employed in manufacturing

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## The largest US employers have shifted from manufacturing to retail and other services

### 10 Largest US Corporate Employers, 1960-2010

<u>1960</u>	<u>1980</u>	<u>2010</u>
<b>GM</b>	<b>AT&amp;T</b>	<b>WAL-MART</b>
<b>AT&amp;T</b>	<b>GM</b>	<b>TARGET</b>
<b>FORD</b>	<b>FORD</b>	<b>UPS</b>
<b>GE</b>	<b>GE</b>	<b>KROGER</b>
<b>US STEEL</b>	<b>SEARS</b>	<b>SEARS HLDGS</b>
<b>SEARS</b>	<b>IBM</b>	<b>“AT&amp;T”</b>
<b>A&amp;P</b>	<b>ITT</b>	<b>HOME DEPOT</b>
<b>EXXON</b>	<b>KMART</b>	<b>WALGREEN</b>
<b>BETH. STEEL</b>	<b>MOBIL</b>	<b>VERIZON</b>
<b>ITT</b>	<b>GTE</b>	<b>SUPERVALU</b>

Manufacturing Oil Services

**Wal-Mart now employs roughly as many Americans as the 20 largest manufacturers combined**

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## Retail jobs are not like manufacturing jobs



- Median hourly wage in “Motor Vehicle Manufacturing” for “Production Occupations” (May 2008) : **\$27.14**
- Median tenure with current employer in “Transportation Equipment Manufacturing” (Jan. 2004 CPS): **8 years**
- Median hourly wage in “General Merchandise Stores” for “Sales and Related Occupations” (May 2008) : **\$9.33**
- Median tenure with current employer in “Retail Trade”: **3 years**
- Mean weekly hours worked at Wal-Mart: **34**
- Estimated annual turnover at Wal-Mart: **40%**

## 2. Corporate ownership is broadly dispersed

There was a time when the owners of corporations were dispersed “widows and orphans”



See in one of 85,000 owners of Bell System securities. They are typical Americans—some young, some middle aged, some old. They live in every part of the nation. One may be a housewife in Pennsylvania. Another in Texas—a merchant in Massachusetts—a mine in Nevada—a stenographer in Missouri—a teacher in California—or a telephone employee in Michigan. For the most part, Bell System stockholders are men and women who have put aside small sums for saving. More than half of them have held their shares for five

years or longer. More than 650,000 of these 85,000 security holders own stock in the American Telephone and Telegraph Company—the parent company of the Bell System. More than 125,000 own five shares or less. Over fifty per cent are women. No one owns as much as one per cent of the stock of A. T. & T. In a very real sense, the Bell System is a democracy in business—owned by the people it serves. More than 150,000 men and women work for the Bell System. One percent of them are in the parent company, A. T. & T. The rest are in the hands of numerous companies in the Bell System. **BELL TELEPHONE SYSTEM**

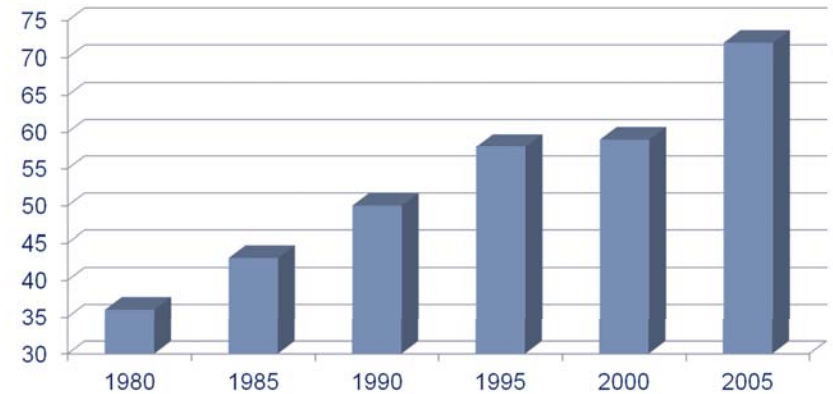
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## Our Stockholders

## Now widows and orphans buy mutual funds and ETFs...



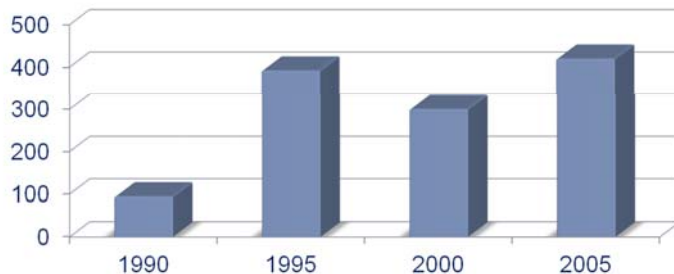
Mean ownership by institutional investors of 1000 largest corporations

Source: Spectrum 13F database, various years

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## ...and Fidelity is the largest shareholder of one in ten US corporations...

Number of US-listed firms in which Fidelity is largest shareholder



# of listed firms in US

3833

5187

5828

4423

Source: Spectrum 13F and 13G databases, various years

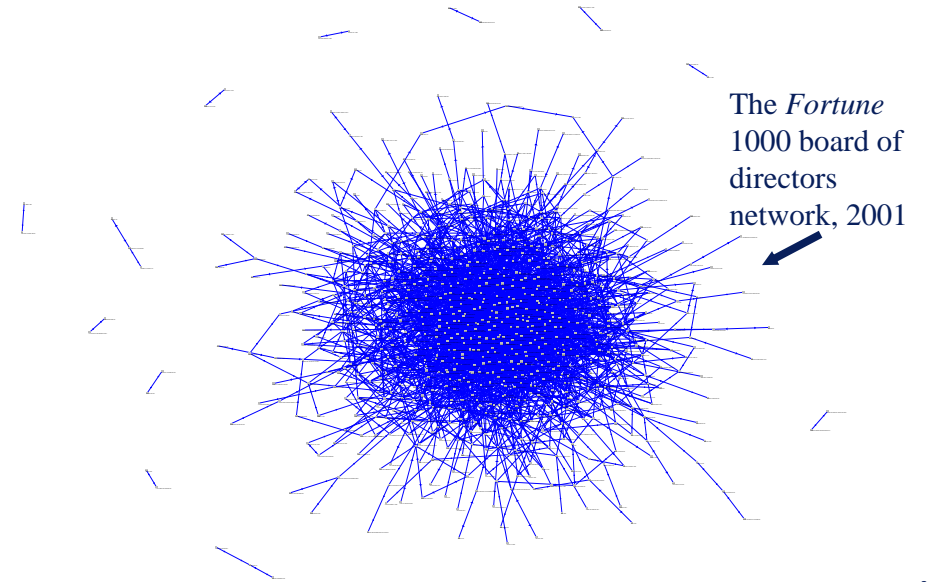
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## ...and BlackRock is the largest shareholder of one in five US corporations

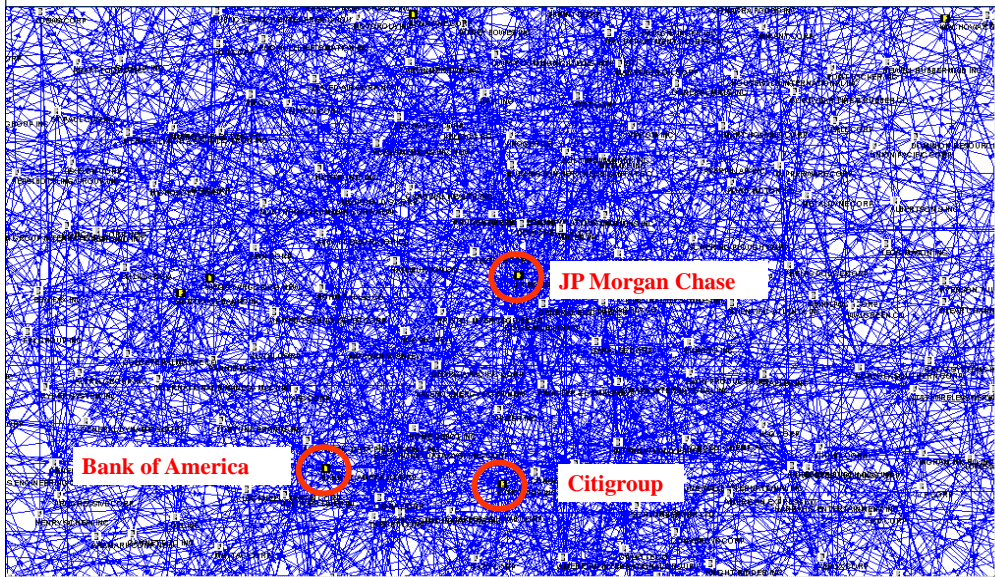
- BlackRock has \$3.5 trillion in assets under management, including iShares
- BlackRock owns 5% or more of over 1800 US corporations
- BlackRock is the **single largest shareholder** of **one in five** US corporations, including
  - ExxonMobil, Chevron, GE, AT&T, Verizon, JP Morgan Chase, Citigroup...and over 800 others

### 3. Corporate control is concentrated

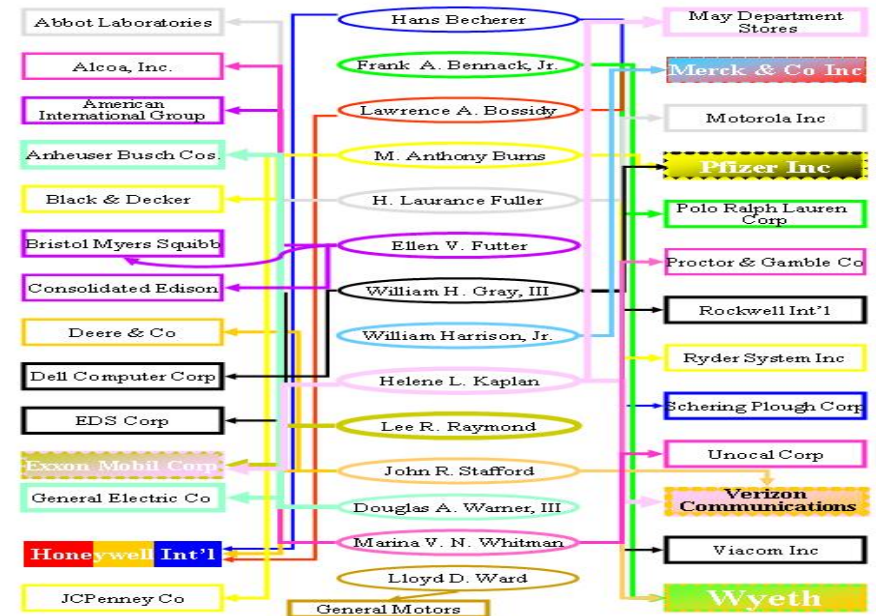
From Pujo to ~ 2001, corporate elites formed a well-connected old boys' network via shared directors...



...with banks sitting somewhere in the middle



### JP Morgan Chase board, 2001



## Who were the top 5 inner circle directors?



Source: Forbes (2002)

By 2011, only *one* director served on 5+ boards in the S&P 500, and the “inner circle” was now called “overworked directors”

**Forbes**  
Corporate Governance  
**America's Most Overworked Directors**  
Lisa DiCarlo, 02.06.02, 12:00 PM ET

In the debates about executive accountability, it's clear that the board is the key to success. We looked at all the companies on the S&P 500 with many companies with which they are associated.

For some there doesn't appear to be enough time to tend to her day job as president of Renaissance managing partner of the investment bank Lazard.

One expert doubts that people with multiple directorships can do a good job. "It is physically impossible to be on more than five boards," says Michael Miles, president of the National Association of Corporate Directors.

**United States Steel** (nyse: X - news - people) says they are effective.

"In considering new board members, we want to see if they are busy," says Michael Dixon. "But we have not observed any problems with them."

A survey of NACD members shows they are busy, just by virtue of the fact that they are on so many boards.

One of the directors near the top of our list is Shirley A. Jackson, who has served on 11 boards this year," says Michael Miles, the retired chairman of the board of Lucent Technologies (nyse: LU - news - people). "She is one of the most overworked directors in the country."

Raber says that chief executives, who are often on multiple boards, neither seek to limit the number of boards they serve on nor do they seek to limit the number of companies they serve on.

For some, directorships can be very lucrative. Shirley A. Jackson, who has served on 11 boards this year, has cash retainers of \$424,500 from Lucent Technologies (nyse: LU - news - people) and other companies.

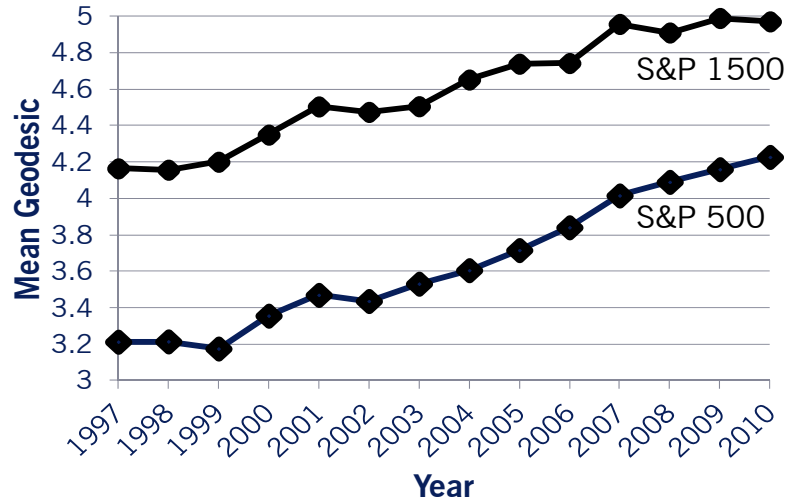
**SHIRLEY A. JACKSON**  
CASH RETAINERS: \$424,500

**TRENDING THE BOARDS**

Part One:  
• Top Five Overworked Directors Side Show  
• 18 Directors, So Many Companies

Part Two:  
• Diversity Without Diversity  
• Overworked Directors Discussion Board  
• Full  
• More on Corporate Governance  
• The Corporate Scandal Sheet

## No longer such a small world after all



4. Corporations aim to grow bigger in assets and number of employees

## Increased ownership by institutions has corresponded to increased devotion to “shareholder value”...

“We exist to create value for our share owners on a long-term basis by building a business that enhances The Coca-Cola Company's trademarks.”

“Sara Lee Corporation's mission is to build leadership brands in consumer packaged goods markets around the world. Our primary purpose is to create long-term stockholder value.”

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## ...and an orientation to share price has induced massive restructuring favoring the “Nike model”

“Wall Street can wipe you out. They are the rule-setters. They do have their fads, but to a large extent there is an evolution in how they judge companies, and they have decided to give premiums to companies that harbor the most profits for the least assets.”

John Bryan, CEO, explaining Sara Lee's “de-verticalization” program

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## The US economy is at an advanced stage of Nike-fication

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## Corporation ≠ organization: no fixed boundaries

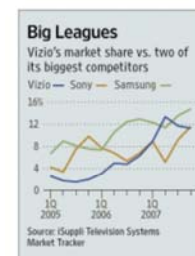
THE WALL STREET JOURNAL  
WSJ.com

LEADER (U.S.) | APRIL 15, 2008  
PICTURE SHIFT

### U.S. Upstart Takes On TV Giants in Price War

By CHRISTOPHER LAWTON in San Francisco, YUKARI IWATANI KANE in Tokyo and JASON DEAN in Beijing

But one upstart, Irvine, Calif.-based Vizio Inc., has largely surfed past the industry's woes. Its single focus: churning out low-priced flat-panel TVs.



Vizio is a fraction the size of Sony and Samsung Electronics Co., both leading brands in the U.S. flat-panel market. Yet Vizio shipped 12.4% of North America's liquid-crystal display, or LCD, TVs in the last quarter of 2007. That's just behind Sony's 12.5% share and Samsung's 14.2%, according to research firm iSuppli Corp. Overall, Vizio's sales have multiplied to just under \$2 billion last year, up from \$700 million in 2006 and \$142 million in 2005, according to the closely held company.

The California company's success illustrates the rise of a new business model in the fast-changing TV industry. Big Korean and Japanese consumer-electronics makers spent huge sums developing and marketing their own technology, creating a high barrier to entry for newcomers. They also built many key components in-house, including the all-important LCD and plasma display panels.

But panel technology is becoming ever more commoditized, meaning big brands aren't the only ones controlling the field. The shift has allowed nimble players like Vizio, which handles the design and marketing, to hook up with contract manufacturers and produce their own cheap TVs. At the same time, discount retailers such as Wal-Mart Stores Inc. are increasing their sales in the electronics category, slashing prices in the process.

Vizio now has the largest market share of LCD televisions in the US (22%)—with 196 employees

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# Corporation ≠ organization: no fixed identity

May 9, 2007

ADVERTISING

## 101 Brand Names, 1 Manufacturer

The Mass Pet-Food Recall Reveals a Widespread Practice: Many Competing Products Come From the Same Factory

By ELLEN BYRON  
May 9, 2007

(See Corrections & Amplifications item below.)

Pet owners have been reeling ever since tainted pet food led to the confirmed deaths of more than a dozen dogs and cats and likely sickened many more.

Some owners were also startled to learn that dozens of competing brands, from discount to premium, are all made by the same company, Menu Foods Inc. of Ontario.

Menu has recalled more than 60 million cans of pet food under more than 100 brand names ranging from Procter & Gamble Co.'s Iams and Eukanuba brands to Hill's Pet Nutrition Science Diet, owned by Colgate-Palmolive Co., to Ol' Roy pet food by Wal-Mart Stores Inc. Each was apparently affected by wheat gluten contaminated with melamine, a chemical substance with no approved use in food.

Poisonous pet chow containing melamine from China was made by an Ontario-based manufacturer but sold under dozens of different US brand names.

The global OEM model is not just for Nike anymore.

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# Corporation ≠ organization: no fixed industry

National Information Center  
A repository of financial data and institution characteristics collected by the Federal Reserve System

Top 50 BHCs

Listed below are the Top 50 bank holding companies (BHCs) as of 06/30/2006. If a value is not displayed for Total Assets, the data have not been posted. You can view additional information for an institution by selecting that institution.

Rank	Institution Name (RSSD ID)	Location	Total Assets
1	BANK OF AMERICA CORPORATION (1073757)	CHARLOTTE, NC	\$2,256,059,674
2	JPMORGAN CHASE & CO. (1039502)	NEW YORK, NY	\$2,026,642,000
3	CITIGROUP INC. (1951350)	NEW YORK, NY	\$1,848,533,000
4	WELLS FARGO & COMPANY (1120754)	SAN FRANCISCO, CA	\$1,284,176,000
5	GOLDMAN SACHS GROUP, INC. THE (2380443) ?	NEW YORK, NY	\$890,137,000
6	MORGAN STANLEY (2192956) ?	NEW YORK, NY	\$676,957,000
7	METLIFE, INC. (2945824) ?	NEW YORK, NY	\$509,457,014
8	HSBC NORTH AMERICA HOLDINGS INC. (3232316)	METTAWA, IL	\$383,820,898
9	TAUNUS CORPORATION (2816905)	NEW YORK, NY	\$366,350,000
10	BARCLAYS GROUP US INC (2914521)	WILMINGTON, DE	\$323,685,026
11	PNC FINANCIAL SERVICES GROUP, INC. THE (1069778)	PITTSBURGH, PA	\$279,788,303
12	U.S. BANCORP (1119794)	MINNEAPOLIS, MN	\$265,560,000
13	BANK OF NEW YORK MELLON CORPORATION THE (3587146)	NEW YORK, NY	\$203,246,000
14	GMAC INC. (1562853) ?	DETROIT, MI	\$181,250,000
15	SUNTRUST BANKS, INC. (1131287)	ATLANTA, GA	\$176,854,034
16	CAPITAL ONE FINANCIAL CORPORATION (2277860)	MCLEAN, VA	\$171,911,307
17	CITIZENS FINANCIAL GROUP, INC. (1132449)	PROVIDENCE, RI	\$153,304,291
18	STATE STREET CORPORATION (1111435)	BOSTON, MA	\$152,921,189
19	BB&T CORPORATION (1074156)	WINSTON-SALEM, NC	\$152,398,410
20	REGIONS FINANCIAL CORPORATION (3242338)	BIRMINGHAM, AL	\$142,824,610
21	TD BANK/NORTH INC. (1249156)	PORTLAND, ME	\$131,365,762
22	FIFTH THIRD BANCORP (1070345)	CINCINNATI, OH	\$115,983,653
23	AMERICAN EXPRESS COMPANY (1374316) ?	NEW YORK, NY	\$114,924,544

What is a "bank"?

# Corporation ≠ organization: no fixed nationality

MAY 27, 2009

## Accenture to Move Base To Ireland From Bermuda

By KATHY SHWIFF

Accenture Ltd. said its board has voted to change the consulting company's place of incorporation to Ireland from Bermuda.

Accenture incorporated in Bermuda in 2001 after the company did an initial public offering.

Several large companies have recently announced plans to reincorporate from Bermuda, helping them avoid what are expected to be significant changes in how the U.S. taxes multinational corporations. Earlier this month, drug maker Warner Chilcott Ltd. said its board approved a plan to relocate to Ireland from Bermuda.

Accenture shareholders will be asked to vote on the proposed move at meetings in the next three to four months.

"We believe that incorporating in Ireland will provide Accenture with economic benefits and help ensure our continued global competitiveness," said Chairman and Chief Executive William D. Green, adding that the company will benefit from Ireland's well-developed corporate, legal and regulatory environment.

The technology outsourcing and management consulting company doesn't expect any material change in its operations, financial results or tax treatment as a result of the change.

The company will continue to be registered with the Securities and Exchange Commission and its shares will continue to trade on the New York Stock Exchange.

# Corporation ≠ organization: no employees

SEARCH: Keyword or Item #

TV & HOME ENTERTAINMENT | MP3 & PORTABLE ELECTRONICS | COMPUTERS & OFFICE | COMPUTER UPGRADES | CAMERAS & CAMCORDERS | HOUSEWARES & APPLIANCES | VIDEO GAMING

TV > LED TV > LED TV 52" or Greater

Vizio M550NV 54.6" Razor LED Backlit LCD HDTV - 1080p, 1920x1080, 16:9, 120Hz, 1,000,000:1 dynamic, Built-in Wi-Fi 802.11n, VIA VIZIO Internet Apps

Item Number: V35-5566  
Model: M550NV  
Availability: Order Today, Ships Today  
List Price: \$1,749.99  
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ADD TO CART

Customer Reviews: 4.5 (17 reviews)

The Vizio M550NV 54.6" Razor LED Backlit LCD HDTV lets you bring the best of the internet to your TV screen!

The Vizio M550NV 54.6" Razor LED Backlit LCD HDTV features full 1080p resolution, 1,000,000:1 dynamic contrast ratio, built-in wif, VIZIO internet apps, and a 4.1 energy star rating to bring crystal clarity to all aspects of your viewing experience.

Now Just \$99.99

Hermit crab organizations maintain the brand but lose the people (e.g., Circuit City's 43,000 employees)

# Spinoffs, layoffs, and outsourcing have shrunk the largest US corporations



Source: Bureau of Labor Statistics; Compustat Annual Industrials

## 5. Corporations live a long time

## About those dominant corporations...

<del>Allied Chemical</del>	<del>Eastman Kodak</del>	<del>Owens-Illinois Glass</del>
Alcoa	Exxon	Procter & Gamble
<del>American Can</del>	GE	<del>Sears Roebuck</del>
<del>AT&amp;T</del>	<del>General Foods</del>	<del>Swift &amp; Co</del>
<del>American Tobacco</del>	<del>GM</del>	<del>Texaco</del>
<del>Anaconda Copper</del>	<del>Goodyear</del>	<del>Union Carbide</del>
<del>Bethlehem Steel</del>	<del>International Harvester</del>	United Technologies
Chevron	<del>International Nickel</del>	<del>U.S. Steel</del>
<del>Chrysler</del>	<del>International Paper</del>	<del>Westinghouse Electric</del>
Du Pont	<del>Johns-Manville</del>	Woolworth

~~\_\_\_\_\_~~ = gone by 2009      \_\_\_\_\_ = really "SBC"

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April 12, 2011

## For Flip Video Camera, Four Years From Hot Start-Up to Obsolete

By SAM GROBART and EVELYN M. RUSLI

It was one of the great tech start-up success stories of the last decade.

The Flip video camera, conceived by a few entrepreneurs in an office above Gump's department store in San Francisco, went on sale in 2007, and quickly dominated the camcorder market.

The start-up sold two million of the pocket-size, easy-to-use cameras in the first two years. Then, in 2009, the founders cashed out and sold to Cisco Systems, the computer networking giant, for \$590 million.

On Tuesday, Cisco announced it was shutting down its Flip video camera division.

Even in the life cycle of the tech world, this is fast.

From the outset, the acquisition was an odd fit for Cisco, which is known for its enterprise networking services. To some analysts, the decision to shutter Flip was an admission by Cisco that it made a mistake.

"Cisco was swayed by the sexiness of selling to the consumer," said Mo Koyfman, a principal at Spark Capital, a Boston venture capital firm. "They're not wired to do it themselves, so they do it by acquisition. Flip was one of the most visible targets out there. But it's really hard to turn an elephant into a horse. Cisco's an elephant."

But the rapid rise, and now demise, of Flip is also a vivid illustration of the ferocious metabolism of the consumer marketplace

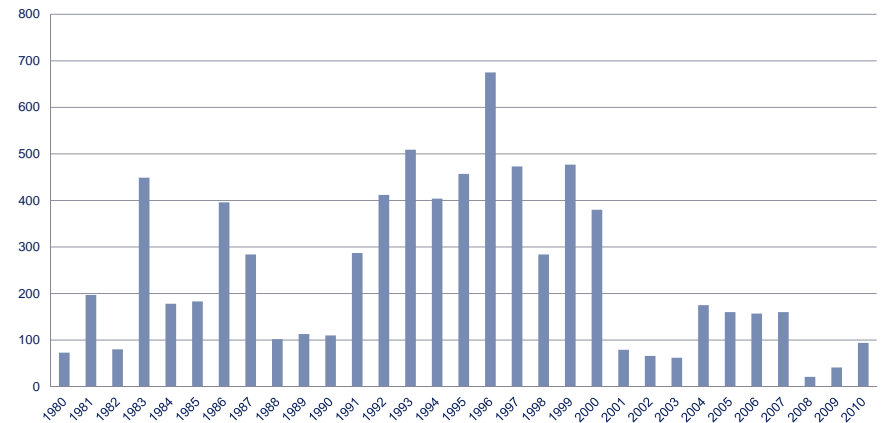
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2. ~~Corporate ownership is broadly dispersed~~
3. ~~Corporate control is concentrated~~
4. ~~Corporations aim to grow bigger in assets and number of employees~~
5. ~~Corporations live a long time~~

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## The “going public” fad of the 1990s is long gone

IPOs per year in the US



Source: Jay Ritter, University of Florida

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## As a result, the number of public corporations in the US has dropped by over *half* since 1997



Source: World Bank World Development Indicators 2011

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## And the companies going public today ignore basic standards of corporate governance

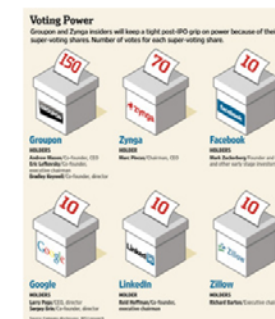
THE WALL STREET JOURNAL  
WSJ.com

TECHNOLOGY | October 28, 2011

### One Share, One Vote?

Groupon and Zynga Founders Get Extra Clout Before IPOs

The founders of Groupon Inc., the daily deals site expected to launch its initial public offering of stock next week, and Zynga Inc, the social-gaming company whose IPO is expected next month, are bolstering their voting clout over ordinary shareholders, according to regulatory filings.



After Groupon goes public, its three founders will have shares that each carry 150 votes, according to the company's latest regulatory filings. Investors who buy ordinary shares in the IPO or in the market, by contrast, will receive one vote per share for corporate matters such as the election of directors or sale of the company.

At Zynga, founder Mark Pincus has a similar arrangement but his shares carry 70 votes each, according to regulatory filings.

The issue is expected to be on investors' minds as they meet with Groupon management this week, including at lunch in New York on Friday at the St. Regis hotel. Zynga's offering is currently expected to follow on the heels of Groupon's.

Groupon and Zynga declined to comment, as did their respective founders.

Two-tiered share structures skewed toward insiders aren't new in U.S. companies. But the large gap between the voting rights of the two classes of shareholders at Groupon and Zynga breaks new ground not just for the Internet sphere but for companies broadly, investors and corporate-governance experts say. As such, the two IPOs could prove a test of investors' appetite for executive control.

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March 27, 2012

## Final Approval by House Sends Jobs Bill to President for Signature

By JONATHAN WEISMAN

WASHINGTON — The House gave overwhelming final approval on Tuesday to a package of measures intended to ease access to capital and investments for entrepreneurs, sending the bipartisan legislation to President Obama, who has said he will sign it.

The 380-to-41 House vote added a final exclamation point for the JOBS Act, which passed the House overwhelmingly early this month and easily passed the Senate last Thursday. Because the Senate amended the House version to add some investor protections, the House had to take it back up for a vote before sending it to the White House.

"The bipartisan JOBS Act represents an increasingly rare legislative victory in Washington where both sides seized the opportunity to work together, improved the bill and passed it with strong bipartisan support," said Representative Eric Cantor, Republican of Virginia, the House majority leader and the primary architect of the package.

The JOBS Act started as a cluster of minor bills that had bipartisan support and little opposition. Many of them originated at the White House out of the recommendations of Mr. Obama's jobs council, a group of business and labor leaders whose final report made few waves.

But with the economy still looming large in the 2012 campaign, Republicans and Democrats — Mr. Obama among them — found it advantageous to pump up those modest measures into legislation promoted as a significant effort to hasten the recovery of the labor market.

"As the clock moves relentlessly toward November, people are going to have to show results," said Senator Ron Wyden, Democrat of Oregon and a supporter of the measure.

# How-to guide for an instant startup, ca. 2012

- Product: iPhone "remote drone assassin"
- Target market: neo-mercenary firms

## 1. Rent a desk in a shared office

## 2. Incorporate online in Liberia for \$713.50

### 3. Crowdfund the funding at Kickstarter

The screenshot shows the Kickstarter homepage with the tagline "Fund & Follow Creativity". It features several featured projects, including "PROJECT OF THE DAY" (a green space project in NYC), "CHILDREN'S BOOK" (a comic series), and "VIDEO GAMES" (a video game project). The page includes navigation links like "Discover", "BLOG", "HELP", "SIGN UP", and "LOG IN".

### 4. Hire programmers for the app at oDesk

The screenshot shows the oDesk website homepage, which is a platform for hiring contractors. It features a large grid of contractor profiles at the top. Below the grid, there is a search bar with the text "What kind of contractor do you need?". The main content area highlights the benefits of hiring on oDesk, such as "Find the right contractor", "Review the work", and "Pay with ease". It also lists several well-known companies that use oDesk, including Google, Wikipedia, HP, NBC, and AOL.

### 5. Find a Chinese drone vendor at Alibaba.com

The screenshot shows the Alibaba.com website search results for "RC Toys & Hobbies". The search results are displayed in a grid format, showing various RC toys and hobbies products. The top of the page includes the Alibaba.com logo and navigation links. The search results are filtered by "Supplier Location" and "Type".

### 6. Set up a payment system at Squaredup

The screenshot shows the Square website homepage, which is a platform for accepting credit cards. It features a large image of a hand holding a credit card over a tablet displaying the Square app interface. The main text reads "Start accepting credit cards today." and "Square register". The page includes a sign-up form with fields for "Email address" and "Create password". It also lists the supported payment methods: "Works with: VISA, M.C., DISCOVER, AMEX, IOS".

## 7. Get it shipped from the dock to our customers



The screenshot shows the Shipwire website homepage. At the top, the Shipwire logo is on the left, and navigation links for 'Support', 'Sign Up', and 'Log In' are on the right. Below the logo, there are links for 'Why Shipwire?', 'How It Works', 'Our Pricing', and 'Contact Us'. The main heading is 'Enterprise logistics for everyone' with the tagline 'Helping you deliver with efficiency'. Below this is a graphic of a desk with a laptop, a coffee cup, and a pen. A button says 'See how we can help ->' and a link says 'Get Started Now'. The main content area is titled 'Powerful software is at the core of everything we do.' and features three columns: 'Network of Global Warehouses' (with a globe icon), 'Customized for Your Existing Systems' (with a laptop icon), and 'Intelligently Directs Packages' (with a truck icon). At the bottom, it says 'Thousands trust Shipwire with their growing business.'

## Conclusion

The public corporation in the US is now unnecessary for production, unsuited for stable employment and the provision of social welfare services, and incapable of providing a reliable long-term return on investment

